

**THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re

Crédito Real, S.A.B. de C.V., SOFOM, E.N.R.,

Putative Debtor.¹

Chapter 15 / Chapter 11

Case No. 22-10630 (JTD)

Case No. 22-10696 (JTD)

**DECLARATION OF JORGE VILLEN IN SUPPORT OF
OBJECTION OF THE AD HOC GROUP TO THE (I) VERIFIED PETITION FOR
RECOGNITION OF FOREIGN MAIN PROCEEDING AND (II) MOTION OF THE
PUTATIVE DEBTOR TO DISMISS THE INVOLUNTARY CHAPTER 11 PETITION**

Pursuant to 28 U.S.C. § 1746, I, Jorge Villen, hereby declare as follows:

1. I am a Director at Houlihan Lokey Capital, Inc. (“Houlihan Lokey”), a financial advisory firm and investment banking firm which is headquartered at 10250 Constellation Blvd. 5th Floor, Los Angeles, CA 90067 and is a global investment bank.

2. Except as otherwise indicated, all statements in this declaration (the “Declaration”) are based on: (a) my discussions with the Putative Debtor’s senior management and the Putative Debtor’s advisors; (b) my personal knowledge developed during the course of Houlihan Lokey’s engagement on behalf of the ad hoc group of certain unaffiliated (i) beneficial holders, and/or investment advisors or managers of beneficial holders of the outstanding unsecured notes issued by the Putative Debtor, and (ii) lenders under the Putative Debtor’s prepetition unsecured credit facilities (the “Ad Hoc Group”); and (c) my review of relevant documents and/or my opinion based upon my experience. If called to testify, I could and would testify to each of the facts set forth herein based on such personal knowledge, discussions, review of documents and/or opinion.

¹ The Putative Debtor’s corporate headquarters is located at Avenida Insurgentes Sur No 730, 20th Floor, Colonia Del Valle Norte, Alcaldía Benito Juárez, 03103, Mexico City, Mexico.

3. I am authorized to submit this Declaration in support of the *Objection of the Ad Hoc Group to the (I) Verified Petition for Recognition of Foreign Main Proceeding and (II) Motion of the Putative Debtor to Dismiss the Involuntary Chapter 11 Petition* (the “Objection”).²

Qualifications

4. I am an officer in Houlihan Lokey’s Financial Restructuring Group and have been employed with the firm for the past 14 years. I have completed many notable engagements advising creditors and debtors on a range of in-court and out-of-court restructurings, and distressed transactions, as well as providing M&A advice in both healthy and distressed situations in multiple jurisdictions. My recent engagements include Alpha Latam Management, Grupo Aeroportuario de la Ciudad de México, NII Holdings, Inc. (formerly Nextel International), Panrico, Martinsa-Fadesa, Levantina y Asociados de Minerales, GTT Communications, Frontier Communications, Guitar Center, The Weinstein Co., Windstream Communications, Relativity Media, SFX Entertainment, Gibson Brands, Rhythm & Hues Studios, Independent News & Media, IBAHN Corp., Quizno’s, Sbarro, Culligan International, IAP Worldwide Services, Reichhold Industries, UniversalPegasus International, Bodybell and Den-Mat.

5. I have more than 18 years of experience in financial advisory and investment banking services. Prior to joining Houlihan Lokey in 2008, I was an Associate in Prudential Financial’s M&A and Corporate Development Group, and before that, I was a member of Deutsche Bank’s Financial Institutions Group. I graduated from Comillas Pontifical University with a B.S. in Business Administration, and I hold an M.B.A. from the Graduate School of Business at Columbia University.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Objection.

**Certain Events Leading up to the Filing
of the Involuntary Case and the Chapter 15 Case**

6. On February 9, 2022, the Putative Debtor defaulted under its 2.875% senior unsecured notes due 2022 (the “Swiss Notes”) as a result of its failure to make a US\$181 million payment at maturity.³ The Putative Debtor’s default under the Swiss Notes triggered cross-defaults under substantially all of the Putative Debtor’s secured and unsecured debt documents, except for the 9.125% perpetual notes (the “Perpetual Notes”).⁴

7. On February 9, 2022, the Putative Debtor announced the appointment of five new members (the “New Directors”) to its board of directors (the “Board”), four of which allegedly were independent, which purportedly brought the size of the Board to nine members. At the same time, the Putative Debtor also announced the resignation of five directors and five alternate directors.⁵ Also on February 9, 2022, the Putative Debtor announced that it engaged DLA Piper LLP (“DLA”) as its counsel and FTI Consulting, Inc. (“FTI”) as its restructuring advisor.⁶ In late February 2022, the Putative Debtor retained Jefferies Group LLC (“Jefferies”) as its financial advisor.

8. In mid-February 2022, the Ad Hoc Group retained both Houlihan Lokey and Blink Capital Solutions as financial advisor, Akin Gump Strauss Hauer & Feld LLP (“Akin Gump”) as its United States legal counsel, and Sainz Abogados, as its Mexican legal counsel shortly thereafter (collectively, the “Ad Hoc Group Advisors”). I have led Houlihan Lokey’s engagement by the Ad

³ Press Release, Crédito Real (Feb. 9, 2022), available at <http://cdn.investorcloud.net/creal/EventosRelevantes/2022-02-09-BonoSuizo-en.pdf>.

⁴ Press Release, Crédito Real (Feb. 16, 2022), available at <http://cdn.investorcloud.net/creal/EventosRelevantes/2022-02-16-CDE-en.pdf>.

⁵ Press Release, Crédito Real (Feb. 9, 2022), available at <http://cdn.investorcloud.net/creal/EventosRelevantes/2022-02-09-Consejo-en.pdf>.

⁶ Press Release, Crédito Real (February 9, 2022), available at <http://cdn.investorcloud.net/creal/EventosRelevantes/2022-02-09-BonoSuizo-en.pdf>.

Hoc Group in this matter. Following the retention of the Ad Hoc Group Advisors, the Ad Hoc Group began engaging in discussions with the Putative Debtors regarding a potential restructuring transaction, including the potential for certain members of the Ad Hoc Group to provide debtor-in-possession financing (“DIP Financing”) to the Putative Debtor in connection with a voluntary chapter 11 filing.

9. In February 2022, the Putative Debtor also began providing a series of preferential guarantees to its secured bank lenders, including pledge and trust relocation agreements, which prejudiced other creditors of the Putative Debtor.⁷

10. On April 4, 2022, the Putative Debtor announced several management changes, including the appointment of Felipe Guelfi Regules (“Mr. Guelfi”) as acting CEO and Chief Transformation Officer, replacing Carlos Ochoa Valdes as CEO.⁸

11. Also on April 4, 2022, the Putative Debtor provided an initial DIP Financing budget, investor presentation and business plan to the Ad Hoc Group Advisors, which made apparent to the Ad Hoc Group Advisors, for the first time, the existence of certain accounting irregularities relating to the Putative Debtor’s business. Such accounting irregularities included the inclusion of future unearned interest and VAT in the Putative Debtor’s historically reported payroll loan balances. Later, the Putative Debtor publicly acknowledged these irregularities in

⁷ Sole Registry of Movable Guarantees (Registro Único de Garantías Mobiliarias) under the electronic file number 170184 B. (2/11/2022) (Guarantee ID Numbers: 15890939; 15889037; 15889687; 15890272; 15890936; 15890940; 15890947; 15890953; 15890956; 15890962; 15891069; 15891081; 15892695; 15892957; 15893025).

⁸ Press Release, Crédito Real (April 4, 2022), available at <http://cdn.investorcloud.net/creal/EventosRelevantes/2022-04-04-Cambios-Administracion-en-.pdf>.

articles published by the Wall Street Journal.⁹ Shortly thereafter, Mr. Guelfi responded to the aforementioned article published on July 8, 2022 by sending a written statement to the Wall Street Journal containing written admissions related to the accounting irregularities, a true and correct copy of which is attached hereto as **Exhibit A**.

12. It is my understanding that, on April 22, 2022, the Putative Debtor failed to make the required principal payment on a \$50 million loan from BNP Paribas.¹⁰

13. It is also my understanding that, on May 6, 2022, the Putative Debtor failed to make the required principal payment on a \$14 million loan from BBVA Bancomer.

14. Further, it is my understanding that, on May 13, 2022, the Putative Debtor failed to make the required principal payment on a \$10 million loan from Santander Mexico.

15. On May 17, 2022, the Putative Debtor's advisors and then CEO, Mr. Guelfi met with the Ad Hoc Group Advisors and certain members of the Ad Hoc Group at Akin Gump's offices in New York City to discuss the terms of the DIP Financing and the Putative Debtor's expected voluntary chapter 11 filing in the United States Bankruptcy Court for the District of Delaware. This was the second time representatives of the Putative Debtor traveled to New York

⁹ Alexander Saeedy and Anthony Harrup, *Mexican Lender Crédito Real Faces Liquidation After Acknowledging Accounting Flaws*, WALL ST. J. (July 15, 2022, 6:13 p.m.), <https://www.wsj.com/articles/mexican-lender-credito-real-faces-liquidation-after-acknowledging-accounting-flaws-11657917421> ("Mexican consumer lender Crédito Real SAB de CV is facing a liquidation of its business less than a week after the shadow-banking company acknowledged flawed accounting practices related to the value of its loan book."); Alexander Saeedy, *Deloitte Was a Common Factor at Troubled Mexican Shadow Banks*, WALL ST. J. (July 8, 2022, 5:30 a.m.), https://www.wsj.com/articles/deloitte-was-a-common-factor-at-troubled-mexican-shadow-banks-11657272601?mod=article_inline ("We believe there were deficiencies in the corporate governance of the company, the external auditors, and the authorities and regulators. We can't explain why the external auditor during all these years couldn't find these capitalized interests and then in the 2020 audited financial statements disclosed a 'capitalized interest' of 21 billion pesos [about \$1 billion], without further explanation," the company said."); Alexander Saeedy and Anthony Harrup, *Mexican Lender Is Battered by Missing Money, Hidden Losses*, WALL ST. J. (June 13, 2022, 5:35 a.m.), https://www.wsj.com/articles/mexican-lender-is-battered-by-missing-money-hidden-losses-11655112931?mod=article_inline ("Investors started to notice something amiss at the beginning of 2020, when Crédito Real's revenue suddenly collapsed. Around a year later, in its audited annual statements for 2020, Crédito Real revealed that about 46% of its loan portfolio was unpaid interest.").

¹⁰ Press Release, Crédito Real (June 16, 2022), available at <http://cdn.investorcloud.net/creal/EventosRelevantes/2022-06-16-anuncio-en.pdf>.

to meet with certain members of the Ad Hoc Group and the Ad Hoc Group Advisors to discuss a potential restructuring transaction. The Putative Debtor and its U.S.-based advisors also held numerous meetings by telephone or videoconference with certain members of the Ad Hoc Group, the Ad Hoc Group's advisors and other potential U.S.-based sources of DIP Financing.

16. On June 1, 2022, the Putative Debtor announced that the Mexican Stock Exchange (the "BMV") had temporarily suspended the trading of its stock due to the failure of the Putative Debtor to release its 2021 audited information and information for 4Q21 and 1Q22.¹¹

17. On or about June 3, 2022, the Ad Hoc Group and the Putative Debtor reached an agreement in principle on the terms of DIP Financing that would have been provided by the Ad Hoc Group and a co-financing party in connection with voluntary chapter 11 cases to be commenced by the Putative Debtor and certain of its affiliates in this Court. Thereafter, the Ad Hoc Group Advisors and the Putative Debtors' advisors worked to document the DIP Financing. As part of the negotiation process, the Ad Hoc Group, the co-financing party and the Putative Debtor exchanged various iterations of a DIP financing term sheet, a DIP order, and various first day motions.

18. On June 7, 2022, the Putative Debtor issued a press release announcing that the Putative Debtor was continuing to advance an orderly restructuring process that may include a chapter 11 filing in the United States.¹²

19. Also on June 7, 2022, the Putative Debtor's advisors provided the Ad Hoc Group Advisors with information regarding two independent members (the "Independent Directors") of the Board that purportedly had already been added to the Board.

¹¹ Press Release, Crédito Real (June 1, 2022), available at <http://cdn.investorcloud.net/creal/EventosRelevantes/2022-06-01-suspension-en.pdf>.

¹² Press Release, Crédito Real (June 7, 2022), available at <http://cdn.investorcloud.net/creal/EventosRelevantes/2022-06-07-alternativas-en.pdf>.

20. On the morning of June 9, 2022, the Ad Hoc Group Advisors, the advisors to the co-financing party, and the Putative Debtor's advisors held a virtual meeting to finalize the terms of the DIP Financing in preparation for what was expected to be an imminent voluntary chapter 11 filing in this Court. Later that afternoon, Angel Francisco Romanos Berrondo ("Mr. Romanos"), the chair of the Putative Debtor's Board and founder of the Putative Debtor, terminated the retention of DLA, Jefferies, and FTI by the Putative Debtor, as well as the engagement letters for all of the creditor advisors, including the Ad Hoc Group Advisors and the advisors to an ad hoc group of secured bank lenders, just days before the expected voluntary chapter 11 filing.¹³ Upon information and belief, Mr. Romanos' decision to terminate the various advisors was caused by, among other things, Putative Debtor's repeated requests to grant additional collateral to certain secured bank lenders, which requests were not consistent with applicable law or sound economic decision making.

21. Following a comprehensive review of the Mexican Movable Guarantees Sole Registry, the Mexican registry for security interests in movable assets, the Ad Hoc Group Advisors determined that the Putative Debtor had commenced a series of non-possessory pledges of assets to certain of the secured bank lenders, including collection rights under previously unencumbered payroll loans. The Mexican Movable Guarantees Sole Registry records demonstrate that the Putative Debtor began pledging additional assets to the secured bank lenders on February 11, 2022, and then pledged additional unencumbered assets until at least June 20, 2022, following the Putative Debtor's decision to terminate the Putative Debtor's advisors, as well as the engagement

¹³ Press Release, Crédito Real (June 9, 2022), available at <http://cdn.investorcloud.net/creal/EventosRelevantes/2022-06-09-actualizacion-en.pdf>.

letters for the Ad Hoc Group Advisors and the advisors to the ad hoc group of secured bank lenders.¹⁴

22. On June 17, 2022, the Putative Debtor announced that all members of the Board had recently resigned, leaving Mr. Romanos as the sole member of the Board.¹⁵ At that time, it also became apparent that none of the New Directors or the Independent Directors had ever officially joined the Board.

23. On June 20, 2022, certain members of the Ad Hoc Group and Ad Hoc Group Advisors met with Mr. Guelfi and Oliver Fernandez, the owner of Crédito Maestro, Crédito Real's largest originator, in New York, New York to discuss whether a restructuring of the Putative Debtor could still be achieved. At that time, the Ad Hoc Group and the Ad Hoc Group Advisors learned that certain secured bank lenders had commenced criminal actions in Mexico against the Putative Debtor's executives, including Mr. Romanos.¹⁶ Further, Mr. Guelfi confirmed the commencement of such criminal actions during a conversation with me on July 7, 2022.

24. I am advised that, on June 22, 2022, the Petitioning Creditors filed the Involuntary Petition in the United States Bankruptcy Court for the Southern District of New York (the "SDNY Bankruptcy Court") commencing the Involuntary Case against the Putative Debtor. Shortly

¹⁴ Sole Registry of Movable Guarantees (Registro Único de Garantías Mobiliarias) under the electronic file number 170184 B. (2/11/2022; 3/4/2022; 4/26/2022; 5/17/2022; 5/23/2022; 6/20/2022) (Guarantee ID Numbers: 15890939; 15889037; 15889687; 15890272; 15890936; 15890940; 15890947; 15890953; 15890956; 15890962; 15891069; 15891081; 15892695; 15892957; 15893025; 16101265; 16612136; 16768642; 16768692; 16768711; 16807245; 16807377; 16807380; 17057824; 17057718; 17057821; 17057756).

¹⁵ Press Release, Crédito Real (June 17, 2022), available at <http://cdn.investorcloud.net/creal/EventosRelevantes/2022-06-17-Consejo-en.pdf>.

¹⁶ Press Release, Crédito Real (June 24, 2022), available at <http://cdn.investorcloud.net/creal/EventosRelevantes/2022-06-24-Infoma-en.pdf>.

thereafter, the Putative Debtor issued a press release acknowledging the commencement of the Involuntary Case.¹⁷

25. I have been informed that, on June 27, 2022, certain of the Ad Hoc Group Advisors met with Mr. Romanos, Mr. Romanos' financial advisor, and certain other individuals in Mexico City, Mexico to discuss whether a consensual restructuring process could be achieved.

26. I further understand that, on June 28, 2022, Mr. Romanos filed a lawsuit (the "Lawsuit") in his personal capacity as a shareholder against the Putative Debtor in the 52nd Court in Civil Matters in Mexico City (the "Mexican Court"), which is a provincial non-bankruptcy court, through an expedited mercantile proceeding (the "Mexican Liquidation"). The Lawsuit demanded (i) the dissolution of the Putative Debtor as of April 30, 2022 based on certain articles of the General Law of Business Organizations, (ii) the judicial liquidation of the Putative Debtor, (iii) the appointment of a judicial liquidator, and (iv) the registration and publication of the dissolution and liquidation of the Putative Debtor.

27. I have also been advised that, on June 30, 2022, the Mexican Liquidation was admitted through an expedited proceeding. To my knowledge, neither the Petitioning Creditors nor the Ad Hoc Group received formal notice of the Lawsuit prior to that time. I have been informed that, by admitting the Lawsuit, the Mexican Court acknowledged receipt of the filings in support of the Lawsuit and issued a summons directing the Putative Debtor to respond.

28. I have further been advised that, upon receipt of the summons on July 11, 2022, Mr. Guelfi, the then CEO of the Putative Debtor, agreed to and accepted the claims set forth in the Lawsuit in contravention of the rights of the Putative Debtor's creditors and shareholders. It is my understanding that, by agreeing to and accepting the claims set forth in the Lawsuit, Mr. Guelfi, a

¹⁷ Press Release, Crédito Real (June 22, 2022), available at <http://cdn.investorcloud.net/creal/EventosRelevantes/2022-06-22-Informa-en.pdf>.

direct subordinate of Mr. Romanos, functionally supported the relief sought by Mr. Romanos at a time when Mr. Romanos controlled the Putative Debtor. Based on the available information, it is my belief that Mr. Guelfi did not act as an independent officer and fiduciary of the Putative Debtor, but instead capitulated to Mr. Romanos' request to dissolve the Putative Debtor. It is also my understanding that none of the Putative Debtor's creditors or shareholders had an opportunity to be heard in connection with the Lawsuit, and the Putative Debtor did not submit the matter for a vote at a shareholder meeting.

29. I have been informed that, on July 13, 2022, the Mexican Court issued a judgment (the "Judgment") granting the relief requested by the Lawsuit by declaring the Putative Debtor's dissolution and putting the Putative Debtor into the Mexican Liquidation. The Judgment also appointed the Mexican Liquidator. The Mexican Court made the Judgment public on July 14, 2022.¹⁸ It is my understanding that, prior to the issuance of the Judgment, the Putative Debtor's creditors received no notice of the Lawsuit and had no opportunity to appear and be heard before the Mexican Court regarding the commencement of the Mexican Liquidation. I have been informed that, upon entry of the Judgment, the Mexican Court ceased to have any obligation to exercise oversight over the Mexican Liquidation.

30. On July 15, 2022, Mr. Guelfi and general counsel Rodrigo Ruanova Morrett resigned from the Putative Debtor's management team.¹⁹

¹⁸ Press Release, Crédito Real (July 14, 2022), available at <http://cdn.investorcloud.net/creal/EventosRelevantes/2022-07-14-Informa-en.pdf>; Press Release, Crédito Real, (July 19, 2022), available at <http://cdn.investorcloud.net/creal/EventosRelevantes/2022-07-19-Informa-2-en.pdf>.

¹⁹ Press Release, Crédito Real (July 15, 2022), available at <http://cdn.investorcloud.net/creal/EventosRelevantes/2022-07-15-Informa-en.pdf>.

31. On July 19, 2022, the Putative Debtor subsequently issued a press release clarifying that the Mexican Liquidator had terminated the employment of Mr. Guelfi and Rodrigo Ruanova Morett.²⁰

32. On July 19, 2022, one of the Petitioning Creditors filed for an *amparo* proceeding in the Eighth District Court for Civil Matters in Mexico City, Mexico, to challenge the constitutionality of the actions taken by the Mexican Court in connection with the Lawsuit and the Mexican Liquidation. It is my understanding that the *amparo* proceeding is still pending.

33. On August 10, 2022, the Putative Debtor issued a press release announcing that it does not have any outstanding debt with Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte, or with any of its subsidiaries.²¹

34. On August 12, 2022, one of the Putative Debtor's shareholders filed an appeal of the Judgment. I understand that, on that same date, the Judicial Council of Mexico City transferred the judge who had admitted the Lawsuit and issued the Judgment, Judge Helio Victorio Guzman, to the 33rd Court for Oral Process in Mexico City, Mexico. The appeal has been assigned to Judge Verónica Guzmán Gutiérrez of the Mexican Court. The appeal is currently pending before the Mexican Court.

35. I have been advised that, on August 17, 2022, Judge Verónica Guzmán Gutiérrez admitted the appeal, which has the effect of suspending the Mexican Liquidation pending resolution of the appeal.

²⁰ Press Release, Crédito Real (July 19, 2022), available at <http://cdn.investorcloud.net/creal/EventosRelevantes/2022-07-19-Informa-en.pdf>.

²¹ Press Release, Crédito Real (Aug. 10, 2022), available at <http://cdn.investorcloud.net/creal/EventosRelevantes/2022-08-10-Informa-en.pdf>.

36. Also on August 17, 2022, the Putative Debtor issued a press release announcing that it no long had any outstanding debt with Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México, or with any of its subsidiaries.²²

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct, to the best of my knowledge.

Dated: August 26, 2022
Los Angeles, California

/s/ Jorge Villen
Jorge Villen
Houlihan Lokey Capital, Inc.

²² Press Release, Crédito Real (Aug. 17, 2022), available at <http://cdn.investorcloud.net/creal/EventosRelevantes/2022-08-17-Infoma-2-en.pdf>.